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C O N F I D E N T I A L TAIPEI 003141

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 10/07/2014

TAGS: [PGOV](#) [PREL](#) [TW](#)

SUBJECT: LY PRESIDENT WANG ON SPECIAL BUDGET

Classified By: AIT Deputy Director David Keegan, Reasons: 1.4 (B/D)

1. (C) At a October 6 meeting at his reception house, Legislative Yuan (LY) President Wang Jin-pyng told AIT that, with the LY expected to recess in November in order to release its members for the December 11 election campaign, there is not enough time to debate the Chen administration's proposed budget to purchase advance defense systems.

2. (C) Moreover, Wang pointed out that the cost needs to be reduced. He said that National Defense Minister Lee Jye had updated him October 5 on the progress of the negotiations between the Taiwan Ministry of National Defense (MND) and U.S. Department of Defense. Wang said that he has told Lee that the MND should hold further negotiations on the price before the LY reviews the budget to authorize the purchase. Wang intends also to discuss the issue further with PFP Legislator Lin Yu-fang, DPP Legislator Lee Wen-chung, and the MND's Vice Admiral Lei Kuang-shuh, all of whom accompanied Wang to the U.S. in June 2004.

3. (C) Wang emphasized that the position of the KMT has not changed since his previous conversation with AIT in July 2004. The KMT will support the Special Budget but will continue to seek political advantage by fighting over the price and details. When AIT suggested that the LY consider taking a "two step" approach by approving the proposal first then allocating funds at a later time, Wang replied that the LY needs to allocate funds at the same time that it approves the package.

4. (C) Comment: Wang's comments to AIT and his recent public statements indicate in fairly clear terms a decision by the KMT to postpone consideration of the budget until after the December 11 election. Pan-Blue officials have assured AIT that the LY will take positive action on the bill during the lame duck session that is expected to run through mid-January. However, MND officials fear that post-election confusion within the Pan-Blue camp may force the budget into the first session of the next LY which begins in February. Septel will report on Wang's assessment of the current political climate.  
End Comment.

PAAL